

# **Maryland Insurance Administration**

## **2007 Report on the Use of Territory As a Rating Factor in Establishing Private Passenger Automobile Insurance Rates**



**July, 2007**

**Maryland Insurance Administration**

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Private Passenger Automobile Insurance Rates**

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## **Preface**

Pursuant to §11-339 of the Insurance Article (Chapter 410, Laws of Maryland 2006, HB 1600), the Insurance Commissioner is required to submit a report to the General Assembly on or before July 1 of each year about the use of territory as a factor in establishing private passenger automobile insurance rates by insurers and the Maryland Automobile Insurance Fund (MAIF).

As mandated, this report contains information on (1) the number of insurers actively engaged in providing private passenger automobile insurance coverage in the State; and (2) the number of insurers that use territory as a factor in establishing automobile insurance rates.

## **Private Passenger Automobile Market Overview**

For calendar year 2006, the number of insurers reporting direct premiums written for the private passenger lines of business (liability, personal injury protection, and physical damage coverages) was 145 (*See Exhibit 1*). Of that number, all but 6 insurers use territories as a rating factor.<sup>1</sup> The few exceptions are insurers who write antique automobiles, collector automobiles, classic automobiles, and campers/travel trailers. As those types of automobiles are not used for regular transportation, the garaging location is usually not a factor in rating; rather, it is the number of miles driven annually that is considered in the rating of such a policy. Thus, 139 insurers or 96% of the insurers writing private passenger automobile insurance use territory as a rating factor.

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<sup>1</sup> The six companies that do not use territory as a rating factor are American Bankers Insurance Company of Florida (antique Auto Program), Foremost Insurance Company Grand Rapids Michigan (Modified Auto Collectors Program, Antique & Classic Auto Program), American Reliable Insurance Company (Antique & Collector Vehicle Program), Infinity Insurance Company (Collectible Auto Insurance/Classic Collectors Program), Philadelphia Indemnity Insurance Company (Collector Vehicle Insurance Program), and Encompass Indemnity Company (Classic Auto Program).

## **New Maryland Regulation COMAR 31.07.03**

Chapter 410, Laws of Maryland 2006 (HB 1600), also resulted in the enactment of §§11-216 and 11-319, which require insurers that use territories as a factor in establishing automobile insurance rates to submit a statement to the Insurance Commissioner certifying that (1) the territories used by the insurer have been reviewed within the previous three years, and (2) the use of the territories is actuarially justified.

To ensure compliance with §11-216 and §11-319, on December 14, 2006, the Insurance Commissioner adopted COMAR 31.07.03, Review of Automobile Rating Territories (*See* Exhibit 2). This new regulation contains a Certification Statement for use by MAIF, insurers, and rating organizations to certify that their territories have been reviewed in the past three years and that they are actuarially justified. All insurers are expected to comply with this requirement by July 1, 2007.

MAIF, insurers, and rating organizations are also required to re-file a Certification Statement at a minimum of every three years, after they have conducted a review of their territories, or with any future rate filing that modifies any of the territorial rating factors.

### **Summary**

For calendar year 2006, there were 145 insurers writing private passenger automobile insurance policies in Maryland, and it has been determined that 139 of these insurers used territories in the rating of these policies. In future annual reports, the MIA will provide updated information on the number of private passenger automobile insurers writing in Maryland and the number of those insurers using territory as a factor in rating. In addition, the MIA will continue to review insurers' compliance with Maryland Regulation COMAR 31.07.03.

## **Exhibits**

- Exhibit 1: 2006 Private Passenger Automobile Market Share Report
- Exhibit 2: COMAR 31.07.03. Review of Automobile Rating Territories

**Exhibit 1: 2006 Private Passenger Automobile Market Share Report**

<b>Group Code</b>	<b>Cocode</b>	<b>Company Name</b>	<b>Direct Premiums Written</b>	<b>Market Share</b>	<b>Cumulative Market Share</b>
176	25178	State Farm Mut Auto Ins Co	640,819	17.96%	17.96%
8	19232	Allstate Ins Co	312,257	8.75%	26.71%
31	35882	Geico General Ins Co	307,692	8.62%	35.33%
31	22063	Government Employees Ins Co	278,118	7.79%	43.13%
140	23787	Nationwide Mut Ins Co	246,106	6.90%	50.03%
213	26271	Erie Ins Exch	211,915	5.94%	55.97%
200	25941	USAA	118,869	3.33%	59.30%
8	17230	Allstate Prop & Cas Ins Co	115,530	3.24%	62.53%
155	16322	Progressive Direct Ins Co	110,939	3.11%	65.64%
31	22055	Geico Ind Co	94,925	2.66%	68.30%
200	25968	USAA Cas Ins Co	76,245	2.14%	70.44%
111	23035	Liberty Mut Fire Ins Co	68,316	1.91%	72.36%
176	25143	State Farm Fire And Cas Co	64,622	1.81%	74.17%
155	42994	Progressive Classic Ins Co	63,576	1.78%	75.95%
140	23779	Nationwide Mut Fire Ins Co	55,731	1.56%	77.51%
155	24252	Progressive American Ins Co	54,850	1.54%	79.05%
31	41491	Geico Cas Co	44,623	1.25%	80.30%
8	15130	Encompass Ind Co	34,304	0.96%	81.26%
8	10071	Encompass Ins Co Of America	33,506	0.94%	82.20%
140	25453	Nationwide Ins Co Of Amer	32,063	0.90%	83.10%
175	25127	State Auto Prop & Cas Ins Co	27,214	0.76%	83.86%
	35173	Agency Ins Co Of MD Inc	25,074	0.70%	84.56%
140	37877	Nationwide Prop & Cas Ins Co	20,709	0.58%	85.14%
3548	25658	Travelers Ind Co	20,059	0.56%	85.71%
163	24740	Safeco Ins Co Of Amer	18,350	0.51%	86.22%
	13501	Brethren Mut Ins Co	17,929	0.50%	86.72%
212	10806	Farmers New Century Ins Co	16,710	0.47%	87.19%
1129	25712	Esurance Ins Co	16,231	0.45%	87.65%
3548	27998	Travelers Home & Marine Ins Co	14,065	0.39%	88.04%
250	14958	Peninsula Ins Co	13,931	0.39%	88.43%
91	30104	Hartford Underwriters Ins Co	13,886	0.39%	88.82%
91	34690	Property & Cas Ins Co Of Hartford	13,829	0.39%	89.21%
28	19976	Amica Mut Ins Co	13,819	0.39%	89.59%
8	19240	Allstate Ind Co	13,567	0.38%	89.97%
163	39012	Safeco Ins Co Of IL	13,279	0.37%	90.35%
215	10914	Kemper Independence Ins Co	12,804	0.36%	90.71%

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Group Code	Cocode	Company Name	Direct Premiums Written	Market Share	Cumulative Market Share
	771	11681 Keystone Ins Co	11,770	0.33%	91.03%
	3548	19070 Standard Fire Ins Co	11,362	0.32%	91.35%
	242	39926 Selective Ins Co Of The Southeast	10,364	0.29%	91.64%
	241	34339 Metropolitan Grp Prop & Cas Ins Co	10,343	0.29%	91.93%
	148	24074 Ohio Cas Ins Co	10,197	0.29%	92.22%
	12	36587 AIG Natl Ins Co Inc	9,391	0.26%	92.48%
	213	26263 Erie Ins Co	9,334	0.26%	92.74%
	761	21873 Firemans Fund Ins Co	9,211	0.26%	93.00%
	215	16063 Unitrin Auto & Home Ins Co	9,052	0.25%	93.26%
	140	23760 Nationwide General Ins Co	8,827	0.25%	93.50%
	271	14990 Pennsylvania Ntl Mut Cas Ins Co	8,800	0.25%	93.75%
		33545 Seminole Cas Ins Co	8,721	0.24%	93.99%
	3548	25666 Travelers Ind Co Of Amer	8,528	0.24%	94.23%
	640	14664 Mutual Benefit Ins Co	8,488	0.24%	94.47%
	4	27928 Amex Assur Co	8,262	0.23%	94.70%
	79	42447 National General Assur Co	8,186	0.23%	94.93%
	111	14613 Montgomery Mut Ins Co	7,624	0.21%	95.15%
		16128 Paramount Ins Co	7,133	0.20%	95.35%
	111	42404 Liberty Ins Corp	6,891	0.19%	95.54%
	33	20117 California Cas Ind Exch	6,713	0.19%	95.73%
	12	19399 AIU Ins Co	6,566	0.18%	95.91%
	215	10226 Unitrin Direct Ins Co	6,512	0.18%	96.09%
	200	18600 USAA General Ind Co	6,399	0.18%	96.27%
	91	11000 Sentinel Ins Co Ltd	5,901	0.17%	96.44%
		40720 Interstate Auto Ins Co Inc	5,747	0.16%	96.60%
	38	20303 Great Northern Ins Co	5,673	0.16%	96.76%
	241	25321 Metropolitan Drt Prop & Cas Ins Co	5,509	0.15%	96.91%
	111	33588 First Liberty Ins Corp	5,367	0.15%	97.06%
	250	13692 Donegal Mut Ins Co	5,213	0.15%	97.21%
	12	32220 American Intl Ins Co	4,734	0.13%	97.34%
	148	44393 West American Ins Co	4,625	0.13%	97.47%
	253	14168 Harleysville Mut Ins Co	4,544	0.13%	97.60%
	155	24260 Progressive Cas Ins Co	4,510	0.13%	97.73%
	3678	13455 Bankers Independent Ins Co	4,226	0.12%	97.84%
	241	40169 Metropolitan Cas Ins Co	3,813	0.11%	97.95%
	212	11185 Foremost Ins Co	3,810	0.11%	98.06%

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175	19530	State Auto Natl Ins Co	3,713	0.10%	98.16%
91	19682	Hartford Fire In Co	3,618	0.10%	98.26%
140	10723	Nationwide Assur Co	3,537	0.10%	98.36%
169	21164	Dairyland Ins Co	3,396	0.10%	98.46%
771	10675	AAA Mid-Atlantic Ins Co	3,232	0.09%	98.55%
311	14788	NGM Ins Co	3,165	0.09%	98.64%
38	20281	Federal Ins Co	2,711	0.08%	98.71%
4	29068	IDS Prop Cas Ins Co	2,700	0.08%	98.79%
3548	36137	Travelers Commercial Ins Co	2,699	0.08%	98.86%
250	39900	Peninsula Ind Co	2,574	0.07%	98.94%
408	29963	United Farm Family Ins Co	2,540	0.07%	99.01%
3548	28188	Travco Ins Co	2,469	0.07%	99.08%
57	21261	Electric Ins Co	2,466	0.07%	99.15%
300	22683	Teachers Ins Co	2,310	0.06%	99.21%
241	40649	Economy Premier Assur Co	2,080	0.06%	99.27%
300	22578	Horace Mann Ins Co	1,904	0.05%	99.32%
24	19895	Atlantic Mut Ins Co	1,872	0.05%	99.37%
12	19402	Birmingham Fire Ins Co Of PA	1,742	0.05%	99.42%
155	38628	Progressive Northern Ins Co	1,727	0.05%	99.47%
1234	26085	Warner Ins Co	1,309	0.04%	99.51%
300	22756	Horace Mann Prop & Cas Ins Co	987	0.03%	99.54%
38	20397	Vigilant Ins Co	938	0.03%	99.56%
241	26298	Metropolitan Property & Cas Ins Co	882	0.02%	99.59%
127	23450	American Family Home Ins Co	831	0.02%	99.61%
79	23728	National General Ins Co	786	0.02%	99.63%
4254	40827	Virginia Surety Co Inc	746	0.02%	99.65%
12	20796	AIG Premier Ins Co	733	0.02%	99.67%
38	20346	Pacific Ind Co	698	0.02%	99.69%
	31968	Merastar Ins Co	696	0.02%	99.71%
19	10111	American Bankers Ins Co Of FL	690	0.02%	99.73%
91	22357	Hartford Accid & Ind Co	687	0.02%	99.75%
24	19909	Centennial Ins Co	660	0.02%	99.77%
127	23469	American Modern Home Ins Co	646	0.02%	99.79%
163	24724	First Natl Ins Co Of Amer	626	0.02%	99.81%
12	19445	National Union Fire Ins Co Of Pitts	616	0.02%	99.82%
200	21253	Garrison Property and Cas Ins Co	563	0.02%	99.84%



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	44229	Guardian Cas Ins	561	0.02%	99.85%
3678	39098	Omni Ins Co	505	0.01%	99.87%
88	22292	Hanover Ins Co	500	0.01%	99.88%
3495	22268	Infinity Ins Co	436	0.01%	99.89%
215	10915	Unitrin Direct Property & Cas Co	434	0.01%	99.91%
	27502	Western General Ins Co	428	0.01%	99.92%
785	28932	Markel American Ins Co	357	0.01%	99.93%
1234	43044	Response Ins Co	344	0.01%	99.94%
	41459	Armed Forces Ins Exchange	316	0.01%	99.95%
311	29939	Main St Amer Assur Co	267	0.01%	99.95%
242	19259	Selective Ins Co Of SC	257	0.01%	99.96%
3098	12904	Tokio Marine & Nichido Fire Ins Co	215	0.01%	99.97%
12	43974	AIG Ind Ins Co	191	0.01%	99.97%
677	18058	Philadelphia Ind Ins Co	117	0.00%	99.98%
250	22586	Atlantic States Ins Co	111	0.00%	99.98%
12	26220	Yosemite Ins Co	100	0.00%	99.98%
12	34789	AIG Centennial Ins Co	88	0.00%	99.99%
84	16691	Great American Ins Co	82	0.00%	99.99%
17	10051	Lyndon Southern Ins Co	70	0.00%	99.99%
1234	26050	Response Worldwide Ins Co	65	0.00%	99.99%
212	43699	American Federation Ins Co	57	0.00%	99.99%
8	37907	Deerbrook Ins Co	48	0.00%	99.99%
458	35769	Lyndon Property Ins Co	41	0.00%	100.00%
169	24988	Sentry Ins A Mut Co	40	0.00%	100.00%
19	19615	American Reliable Ins Co	35	0.00%	100.00%
775	13714	Pharmacists Mut Ins Co	27	0.00%	100.00%
84	32620	National Interstate Ins Co	23	0.00%	100.00%
91	29424	Hartford Cas Ins Co	14	0.00%	100.00%
140	19100	Amco Ins Co	9	0.00%	100.00%
91	37478	Hartford Ins Co Of The Midwest	8	0.00%	100.00%
2898	37850	Pacific Specialty Ins Co	8	0.00%	100.00%
313	33898	Aegis Security Ins Co	5	0.00%	100%
212	11800	Foremost Property & Cas Ins Co	5	0.00%	100.00%
12	23841	New Hampshire Ins Co	3	0.00%	100.00%
91	29459	Twin City Fire Ins Co Co	3	0.00%	100.00%
1234	20133	Response Worldwide Direct Auto Ins C	1	0%	100.00%

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<b>Group Code</b>	<b>Cocode</b>	<b>Company Name</b>	<b>Direct Premiums Written</b>	<b>Market Share</b>	<b>Cumulative Market Share</b>
19	42978	American Security Ins Co	1	0%	100.00%
		145 Companies in Report	3,568,117	100%	100%

  
-Exhibit 2

31.07.03.00

# **Title 31 MARYLAND INSURANCE ADMINISTRATION**

## **Subtitle 07 INSURANCE RATING LAW**

### **Chapter 03 Review of Automobile Rating Territories**

**Authority: Insurance Article, §§2-109, 11-216, 11-319, and 11-339, Annotated Code of Maryland**

*31.07.03.01***.01 Purpose.**

The purpose of this chapter is to ensure that all insurers that use territory as a factor in establishing automobile insurance rates in the State, including the Maryland Automobile Insurance Fund, file statements with the Commissioner that satisfy the requirements of Insurance Article, §§11-216 and 11-319, Annotated Code of Maryland.

*31.07.03.02***.02 Triannual Review of Territories.**

Each insurer that uses territory as a factor in establishing automobile insurance rates in the State, including the Maryland Automobile Insurance Fund, shall conduct a review of its territories every 3 years.

31.07.03.03

### **.03 Filing Requirements.**

A. Each insurer that uses territory as a factor in establishing automobile insurance rates in the State, including the Maryland Automobile Insurance Fund, shall file with the Commissioner a certification statement.

B. The certification statement shall be on the form adopted by the Commissioner in Regulation .04 of this chapter.

C. The certification statement shall be filed:

- (1) On or before June 1, 2007;
- (2) Upon completion of each review required by the Commissioner pursuant to Regulation .02 of this chapter; and
- (3) Contemporaneously with each rate filing that indicates a modification of territorial rating factors.

31.07.03.04

**.04 Certification Statement for Automobile Insurers.**

A. Certification Statement for Insurers and Rating Organizations.

**CERTIFICATION STATEMENT  
REVIEW OF AUTOMOBILE RATING TERRITORIES**

I, \_\_\_\_\_, a duly authorized representative of \_\_\_\_\_ (insurer or rating organization), NAIC # \_\_\_\_\_ (if applicable), do hereby certify that the following information is true to the best of my knowledge and belief.

1. The use of territories as a factor in rating by the above-named (insurer or rating organization) has been reviewed within the previous 3 years; and

2. Use of the territories on file, or as set forth in this filing, are actuarially justified. I understand that the Maryland Insurance Administration will rely on this certification, and if it is determined that this certification is materially false or incorrect, the insurer may be subject to administrative action, including appropriate penalties.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Authorized Representative

Name of Authorized Representative:  
\_\_\_\_\_

Title: \_\_\_\_\_

Address of Insurer: \_\_\_\_\_

Mail certification statement to: Cathy Ruppel, Insurance Analyst, P & C Rate and Form Unit, Maryland Insurance Administration, 525 St. Paul Place, Baltimore, MD 21202.

B. Certification Statement for Insurers Adopting the Certification Statement of a Rating Organization.

**CERTIFICATION STATEMENT  
REVIEW OF AUTOMOBILE RATING TERRITORIES**

I, \_\_\_\_\_, a duly authorized representative of \_\_\_\_\_ (insurer), NAIC # \_\_\_\_\_, do hereby certify that the following information is true to the best of my knowledge and belief.

1. \_\_\_\_\_ (insurer) is a member of or subscriber to \_\_\_\_\_ (rating organization), a licensed rating organization, and has authorized the Commissioner to accept filings from \_\_\_\_\_ (rating organization) on its behalf or has filed to adopt \_\_\_\_\_ (rating organization's) filings.

2. \_\_\_\_\_ (insurer) has filed no deviations relating to territory from the automobile rate filings submitted by \_\_\_\_\_ (rating organization).

3. \_\_\_\_\_ (rating organization) has filed with the Commissioner the certification statement required by Insurance Article, §11-216 or 11-319, Annotated Code of Maryland, and COMAR 31.07.03.03.

4. \_\_\_\_\_ (insurer) hereby adopts the statements made in the certification statement.

I understand that the Maryland Insurance Administration will rely on this certification, and if it is determined that this certification is materially false or incorrect, the insurer may be subject to administrative action, including appropriate

penalties.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Authorized Representative

Name of Authorized Representative:  
\_\_\_\_\_

Title: \_\_\_\_\_

Address of Insurer: \_\_\_\_\_

Mail certification statement to: Cathy Ruppel, Insurance Analyst, P&C Rate and Form Unit, Maryland Insurance Administration, 525 St. Paul Place, Baltimore, MD 21202.



31.07.03.05

### **.05 Filings Made By Rating Organizations.**

A. A licensed rating organization that files on behalf of its members or subscribers automobile insurance rates that use territory as a factor in establishing automobile insurance rates in the State shall comply with the provisions of Regulations .02—.04 of this chapter.

B. An insurer that is required to file a certification statement may utilize the certification statement in Regulation .04B of this chapter if:

(1) The insurer is a member or subscriber of a licensed rating organization which has been authorized to make filings on the insurer's behalf or the insurer has filed to adopt the rating organization's filing; and

(2) The insurer has not filed with the Commissioner a deviation from the rates, loss costs, or both, filed by the rating organization relating to the use of territories.

31.07.03.9999

### **Administrative History**

**Effective date: January 15, 2007 (34:1 Md. R. 33)**